

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

18. Deferred Taxation

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Balance brought forward	15,668	6,768
(Credit) charge for the year (note 7)	(7,779)	8,900
Balance carried forward	7,889	15,668

At 31st December, 2000, the major components of the deferred taxation (liabilities) assets, provided and unprovided, were as follows:

	THE GROUP			
	Provided		Unprovided	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:				
Excess of depreciation allowances claimed for tax purpose over depreciation charged in the financial statements	(7,800)	(15,646)	—	—
Other timing difference	(89)	(22)	—	—
Tax losses	—	—	973	—
	(7,889)	(15,668)	973	—

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

18. Deferred Taxation (Cont'd)

The movements of the unprovided deferred taxation (credit) charge for the year are as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences attributable to:		
Shortfall of depreciation allowances claimed for tax purpose over depreciation charged in the financial statements	—	(13,594)
Other timing difference	—	(1,523)
Tax losses (arising) utilised	(973)	2,508
	(973)	(12,609)

The Company had no significant deferred taxation during the year or at the balance sheet date.

19. Share Capital

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 1999, 31st December, 1999 and 31st December, 2000	1,000,000,000	100,000
Issued and fully paid:		
At 1st January, 1999 and 31st December, 1999	236,516,068	23,652
Issue of shares on private placement	107,000,000	10,700
Issue of shares on exercise of share options	21,144,000	2,114
At 31st December, 2000	364,660,068	36,466

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

For the year ended 31st December, 2000

19. Share Capital *(Cont'd)*

During the year ended 31st December, 2000, the following changes in the share capital of the Company took place:

- (i) On 27th March, 2000, the Company issued 47,000,000 shares of HK\$0.10 each in the Company to independent investors at a price of HK\$0.88 per share, representing a discount of approximately 31.8% to the closing price of HK\$1.29 per share as quoted on the Stock Exchange on 10th March, 2000 (date of the share placing agreement). The net proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 6th May, 1999.
- (ii) On 1st August, 2000, the Company issued 60,000,000 shares of HK\$0.10 each in the Company to independent investors at a price of HK\$0.35 per share, representing a discount of approximately 14.6% to the closing price of HK\$0.41 per share as quoted on the Stock Exchange on 12th July, 2000 (date of the share placing agreement). The net proceeds were used as general working capital of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 23rd May, 2000.
- (iii) 21,144,000 shares of HK\$0.10 each in the Company were issued at a price ranging from HK\$0.175 to HK\$0.385 per share upon the exercise of share options granted under the share option scheme of the Company as detailed in note 20.

All the shares issued above rank *pari passu* with the then existing shares in all respects.

Details of a change in the issued share capital of the Company subsequent to 31st December, 2000 are set out in note 33(b).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

20. Share Option Scheme

Pursuant to the Share Option Scheme (the "Scheme") adopted on 22nd May, 1996, the directors of the Company may grant options to any executive director or employee of the Group to subscribe for shares in the Company at a price notified by the directors and shall not be less than 80% of the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the offer of the option or the nominal value of the shares, whichever is the higher. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10 per cent. of the issued share capital of the Company from time to time.

Options granted are exercisable under various terms, but none of them could be exercised later than three years after the date the options are granted, subject to certain restrictions contained in the offer letters. Consideration received by the Company for the options granted was nominal.

A summary of the movements during the year in the share options granted under the Company's option scheme is as follows:

Number of ordinary shares to be issued upon exercise of the share options

Date of grant	Exercise price per share - HK\$	Balance at 1.1.2000	Granted during the year	Exercised during the year	Balance at 31.12.2000
5.11.1997	0.385	12,600,000	—	12,600,000	—
27.1.1998	0.230	5,750,000	—	5,120,000	630,000
1.3.1999	0.175	2,250,000	—	1,374,000	876,000
3.2.2000	0.320	—	3,050,000	2,050,000	1,000,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 31st December, 2000

21. Reserves

	Share premium HK\$'000	Merger reserve HK\$'000	Contributed surplus HK\$'000	Investments			Retained profits HK\$'000	Total HK\$'000
				Goodwill HK\$'000	revaluation reserve HK\$'000	Translation reserve HK\$'000		
THE GROUP								
At 1st January, 1999	76,449	24,000	—	(31,884)	—	239	72,775	141,579
Goodwill arising on acquisition of subsidiaries	—	—	—	(4,295)	—	—	—	(4,295)
Revaluation decrease in the year	—	—	—	—	(46)	—	—	(46)
Net profit for the year	—	—	—	—	—	—	25,425	25,425
At 31st December, 1999	76,449	24,000	—	(36,179)	(46)	239	98,200	162,663
Premium arising on issue of shares	56,471	—	—	—	—	—	—	56,471
Expenses incurred in connection with the issue of shares	(1,679)	—	—	—	—	—	—	(1,679)
Goodwill realised on disposal of a subsidiary	—	—	—	2,963	—	—	—	2,963
Realised on disposal of investment in securities	—	—	—	—	22	—	—	22
Revaluation increase in the year	—	—	—	—	306	—	—	306
Net profit for the year	—	—	—	—	—	—	27,594	27,594
Dividend	—	—	—	—	—	—	(7,284)	(7,284)
At 31st December, 2000	131,241	24,000	—	(33,216)	282	239	118,510	241,056
THE COMPANY								
At 1st January, 1999	76,449	—	77,963	—	—	—	3,720	158,132
Loss for the year	—	—	—	—	—	—	(444)	(444)
At 31st December, 1999	76,449	—	77,963	—	—	—	3,276	157,688
Premium arising on issue of shares	56,471	—	—	—	—	—	—	56,471
Expenses incurred in connection with the issue of shares	(1,679)	—	—	—	—	—	—	(1,679)
Net profit for the year (note 8)	—	—	—	—	—	—	9,463	9,463
Dividend	—	—	—	—	—	—	(7,284)	(7,284)
At 31st December, 2000	131,241	—	77,963	—	—	—	5,455	214,659